



**REGULAR BOARD MEETING  
HAWAII TOURISM AUTHORITY**

**Thursday, April 25, 2013**

**Honolulu International Airport, Conference Center, 7<sup>th</sup> Floor Interisland Terminal  
300 Rogers Boulevard, Honolulu, Hawai'i 96819**

**MINUTES OF REGULAR BOARD MEETING**

**MEMBERS PRESENT:** Ron Williams (Chair), Patricia Ewing, Kelvin Bloom, Jack Corteway, Patrick Fitzgerald, Rick Fried, Victor Kimura, Mike Kobayashi, Craig Nakamura, David Rae, Aaron Salā

**MEMBERS NOT PRESENT:** Lorrie Stone

**HTA STAFF PRESENT:** Mike McCartney, Caroline Anderson, Doug Murdock, Daniel Nahoopii, Roann Rakta, Angela Rodrigues, Mike Story, Marc Togashi; and, Winfred Pong (Recorder)

**LEGAL COUNSEL:** Deputy Attorney General Gregg Kinkley

**1. Call to Order**

Presiding Officer Ron Williams called the meeting to order at 9:36 a.m. Upon request by Mr. Williams, Mr. Salā proceeded to offer a pule.

**2. Approval of Minutes of the March 28, 2013 Board Meeting**

Mr. Fitzgerald moved to approve the minutes of the March 28, 2013 Regular Board meeting. Mr. Kimura seconded the motion, which was unanimously approved without amendment or reservation by any of the Board members present.

Mr. Fitzgerald moved to go into executive session to consider the approval of the minutes of the executive session conducted during the March 28, 2013 Board meeting and may include the discussion of information that must be kept confidential to protect Hawai'i's

competitive advantage as a visitor destination under HRS section 201B-4(8). Mr. Kimura seconded the motion, which was unanimously approved without objection by any of the Board members present.

The meeting was recessed at 9:40 a.m.

The meeting was reconvened at 9:43 a.m.

The Board met in executive session to adopt the minutes of the executive session conducted during the Board's regular meeting on March 28, 2013.

**3. Report of the Chief Executive Officer Relating to the Implementation of the State Tourism Strategic Plan Initiatives and/or Staffs' Current Assessments of the Major Market Areas**

Mr. McCartney referred to the CEO Report dated April 25, 2013 that was previously distributed to the Board. He added that Staff is currently working on the development of various HTA budgets for subsequent approval by the Board. He also noted the issuance of the Request for Proposals for the operation of the convention center (RFP). Staff responded to questions with various entities that have expressed interest in the RFP.

Mr. McCartney continued by expressing his appreciation to Mr. Williams for his assistance during the legislative session. He discussed the passage of various measures related to the establishment of a permanent transient accommodation tax rate; allocation of additional funds for the operation of the convention center; allocation of \$3 million to the Department of Land and Natural Resources (DLNR) to protect natural resources; and, the allocation of funds to the airport system for infrastructure improvements.

Mr. Bloom commended Mr. McCartney for his efforts at the Legislature. He also observed we are doing better than he thought after seeing the recent visitor statistics and measures of success that were previously distributed to the Board. There was a discussion on the current high level of hotel room rates in Hawai'i and how it may be reflected in the calculation of visitor expenditures.

In response to a question from Mr. Kimura, Mr. McCartney responded that funding for the Kaanapali Beach restoration was included in a separate legislative measure that was still being considered and was not part of the \$3 million allocation to the DLNR. There was a discussion on the need for HTA to have a good working relationship with the DLNR Board on how the \$3 million will be expended on "visitor impacted areas" for natural resources.

Mr. Kimura also offered that HTA should conduct a study on “impulse buying” by a traveler not wanting to travel at the last minute because of the long lines at the TSA security check points. Mr. McCartney added that funding for the Department of Agriculture was restored through funding to the Airport system.

Mr. Kimura initiated a discussion on the homeless in Hawai‘i and not just in Waikiki. Mr. McCartney discussed the various meetings he attended regarding the homeless issue with legislators, community leaders and the Mayor of the City & County of Honolulu. It was noted that the City & County of Honolulu is considering numerous legislative proposals. Mr. Kimura expressed his understanding that approximately 96% of the homeless population in Hawai‘i on a statewide basis are non-residents. It was suggested that residents would be able to rely on their respective “ohana” for support.

Mr. Williams concluded the discussion of the CEO report by stating that Mr. McCartney did a “phenomenal job” at the Legislature this session. He noted that the Legislature demonstrated a “collective ambition” on working collaboratively and this session has been the best he has seen over the past years. He attributed this collaboration to Mr. McCartney who played a major role in “setting this process up at the Legislature.”

Finally, Mr. Williams further concluded that the \$3 million legislative allocation to the DLNR is a good way for HTA to support its strategic plan initiative for natural resources.

**HTA Report Card (March 2013): Strategic Plans’ Measures of Success.** Mr. Murdock distributed for the Board’s consideration and discussion the “HTA Report Card-March 2013.” The Report Card provided the measures of success to date for the Hawai‘i Tourism Strategic Plan and the HTA Strategic Plan.

#### **4. Review of Recent and Upcoming Permitted interactions**

Mr. Murdock asked whether any Board member had communicated with another member outside of a duly notice Board meeting. Mr. Williams reported that he and Mr. Bloom met with the Mayor of the City & County of Honolulu. However, no matters related to the HTA were discussed during the meeting.

#### **5. Presentation and Discussion on Visitor Statistics**

**HTA Key Performance Indicators Dashboard.** Mr. Nahoopii referred to the “HTA Key Performance Indicators Dashboard” (dated March 2013), which were presented to the Board for its consideration and discussion.

**Visitor Data.** Mr. Nahoopii provided a PowerPoint presentation entitled “Current Visitor Data-March 2013.” Mr. Nahoopii initially provided an “Overview” of visitor data as of March 2013 by providing the year-to-date data for visitor expenditures and arrivals. He stated that visitor days grew at a slower pace due to a shorter length of stay arising from more growth in visitors from the international market. International visitors would stay in Hawai’i for a shorter period. He is also researching a new trend in the market arising from an increase in the cost for travel and more travel to the neighbor island.

During Mr. Nahoopii’s presentation of the moderate growth in arrivals and visitor days at the neighbor islands, Mr. Williams noted that the HTA island distribution targets established three years ago are not being achieved. Mr. Nahoopii responded that staff is reviewing this trend and will consider whether island distribution targets should be based on room occupancy on each island. Mr. Fitzgerald initiated a discussion on whether the lack of adequate airlift to the neighbor islands may be a cause for a drop in occupancy.

Mr. Nahoopii stated that total air seats increased 12.7% in March 2013 arising from increased flights from Japan and international charter flights. There were additional flights from new domestic airports and Hawaiian Airlines added new flights from Oceania. In response to a question from Mr. Bloom regarding the impact of the recently announced drop in some of our domestic routes, Mr. Nahoopii stated we are still projected to be ahead of last year actual air seats because of the increased flights from the East coast and the international market.

During Mr. Nahoopii’s discussion of a 7.6% growth in total arrivals in March, he noted that the percentage growth for Kauai, Hawai’i Island, and Maui were 1.2%, 1%, and 3%, respectively. He further added that condominium and bed/breakfast usage was “up” on Maui. There was a discussion on whether the change in accommodations would impact the calculation of visitor expenditures. Mr. Nahoopii continued with a discussion of the growth in hotel occupancy by island and noted that the growth in occupancy on Oahu resulted in a similar growth in occupancy on the neighbor islands due to the compression factor.

Mr. Nahoopii continued his presentation with a discussion of visitor arrival data in each major market. He stated that except for U.S. East all other markets are exceeding the 2013 targets. U.S. East is “at pace” and highlighted that although there were increased arrivals

due to additional flights in the market, there were declines in arrivals from the "East South Central" area covering Atlanta and Houston. He added that Japan visitor arrivals reflect a decrease in honeymoon visitors. In regards to the emerging markets, arrivals from Oceania and China jumped following an increase in air service from those markets. Overall, statewide occupancy rate was 85.6% for February 2013 and growing at a slower pace but a record level.

During his discussion of visitor expenditures, he stated there was a consistent monthly growth since January 2011 and the expenditure categories with the highest growth were lodging (11.9%), transportation (3.8%), and food & beverage (2.1%).

Mr. Nahoopii presented data for visitor spending by each major market and noted a difference in expenditures on a "per person per day" basis as compared to a "per person per trip" basis. For instance, although a European visitor may spend \$191 per day, it was also determined that the visitor would spend \$2,180 per trip. There was a discussion on the need to be aware of this distinction.

Mr. Nahoopii concluded his presentation with a further detailed discussion of visitor expenditures by initially presenting a slide on "Total Visitor Personal Daily Spending by Category: 2013p vs. 2012p" during the period January to March. He stated that lodging is "driving the expenditures up" in 2013 while "shopping is down" due to a drop in expenditures for higher price items such as jewelry. In contrast, spending by Japan visitors for food & beverage increased more than lodging. He also noted a similar drop in shopping expenditures by Japan visitors but expenditures for attractions/entertainment increased significantly.

Mr. Nahoopii presented a slide depicting the "Characteristics of Japanese Visitor February 2012 YTD" based on the "Age of Party Head" and segmented by various ages with a distribution percentage as follows: Under 12 (.0%); 13-17 (.1%); 18-24 (8.7%); 25-40 (41.1%); 41-59 (28.4%); and 60+ (19.5%). The spending growth percentage for each age segment was also displayed. He noted significant percentage increases for Japan visitor arrivals in the age segment for Under 12 (31.8%), 13-17 (47%), and 41-59 (17.0%). However, he highlighted that the expenditure growth percentage rate for the 41-59 age segment decreased by 3%. This was contrasted with data from a similar slide for "Characteristics of Japanese Visitors 2012p vs. 2011p" which indicated that in 2012 all age segments "saw spending growth."

Finally, Mr. Nahoopii presented a slide depicting the various expenditure categories for the emerging markets of Korea, China, and Australia. He noted that the expenditures for food & beverage was similar; that China spends significantly more on attractions; and, that China and Australia spends a similar amount in fashion.

The meeting was recessed at 11:08 a.m.

The meeting was reconvened at 11:28 a.m.

## 6. Approval of HTA's Financial Reports

The following financial statements covering the **HTA Special Fund** as of February 28, 2013 were distributed to the Board and discussed by Mr. Togashi: Expenditure Statement-Prior Year Funds; Income Statement-Current Year Appropriation (Modified Cash Basis); Budget Statement FY 2013 As of Month Ended 2/28/2013; Balance Sheet (Modified Cash Basis) FY 2013 As of Month Ended 2/28/2013; Schedule of Reserve Balance FY 2013 As of Month Ended 2/28/2013; and, Revenue-Actual vs. Forecast (2013), 34.2% or \$71 million FY 2012/2013. He noted that as of February 28, 2013, \$71.7 million was budget and of that amount approximately \$64 million was either contracted or committed.

Mr. Togashi further discussed the following financial statements previously distributed to the Board as of February 28, 2013 covering the **Convention Center Enterprise Special Fund**: Income Statement-Current Year Appropriation (Modified Cash Basis); Budget Statement FY 2013 as of Month Ended 2/28/13; Balance Sheet (Modified Cash Basis) FY 2013 As of Month Ended 2/28/13; Revenue-Actual vs. Forecast FY 2013 17.3% or \$33 million; and, Rolling Forecast For the Eight Months Ending February 28, 2013. Mr. Togashi noted that as of February 28, 2013, the convention center operating loss is approximately \$275,000 less than budgeted.

Finally, Mr. Togashi distributed a document entitled "Budget Reallocation, Board Meeting-April 25, 2013" and apprised the Board of the following \$325,000 reallocation under Signature Events:

From: National and International Collegiate Coverage	\$75,000
Big West Campaign	\$250,000
To: Pro Bowl	\$74,500
Sports Program Development	\$230,500
Japan Target Festival #1	\$20,000

He also apprised the Board of the following \$459,767 reallocation under Business Destination Management for "Meet Hawai'i":

From: Convention Center Marketing	\$459,767
To: North America MCI	\$309,767
Public Relations MCI	\$150,000

In response to a question from Mr. Kimura whether the targets were adjusted to reflect the reallocation of budgeted funds, Mr. Togashi responded that he did not know at this time and will follow up to provide the Board with the requested information.

Mr. Fitzgerald moved to approve the monthly financial statements for the **HTA Special Fund** and the **Convention Center Enterprise Special Fund** as of February 28, 2013. Mr. Kimura seconded the motion, which was unanimously approved without any reservations or objections by any of the Board members present.

Mr. Nakamura initiated a discussion on a desire to review on-line the various electronic copies of documents related to the HTA, especially documents distributed to the Board members in preparation for the Board meetings. Mr. Murdock apprised the Board that a website is currently in the final stages of being fully developed and various HTA documents could be downloaded or viewed.

**7. Presentation and discussion on holding a limited meeting under HRS Section 92-3.1 or forming an investigative committee under HRS Section 92-2.5 (b) to perform an on-site evaluation of the impact of increased visitor numbers on the Honolulu International Airport, including inspecting secure areas not open to the public.**

Mr. Murdock referred to a staff report related to this agenda item and stated that the Director of the Office of Information Practices had concurred that a limited meeting by the Board is appropriate when it is seeking to tour areas of the airport not open to the public. He requested the Board to make a finding that an on-site inspection was necessary to enable the Board to evaluate the impact of increased visitor transit on the Honolulu International Airport, including secured TSA or Customs and Immigration controlled areas, and that public attendance would be impractical because all attendees must be pre-cleared by the Hawai'i DOT Airport Division and TSA in San Francisco, which would take several weeks.

Mr. Salā moved to adopt the requested finding previously stated by Mr. Murdock and that the Board be allowed to hold a limited meeting on April 25, 2013 at 2:00 p.m. at the Honolulu International Airport. Mr. Kimura seconded the motion, which was unanimously approved by all the Board members present without any reservations.

## 8. Presentation and Discussion on HTA Planning Process

Ms. Anderson referred to a staff report regarding this agenda item that was previously distributed to the Board. The HTA Strategic Plan: 2013-2014 was also distributed for discussion. She stated that the staff is currently updating the state's Tourism Strategic Plan 2005-2015, HTA Strategic Plan 2013-2014, and the Brand Sustainability Plan. Staff will make a presentation to the Board in May of proposed revisions to the various Plans and a proposed FY 2014 operations budget. Board approval of the various revised Plans and the FY 2014 budgets for HTA Operations and the convention center will be requested at the June meeting. Board approval of the HTA program budget will be requested at the July board meeting.

Mr. Williams emphasized that two board meetings are planned for the initial review of a budget at an initial board meeting and for the subsequent approval of the budget at a second board meeting. However, the agenda will provide notice to allow for approval of the budgets at the initial meeting if the Board desires to approve the budgets at that time.

The meeting was recessed at 11:55 a.m.

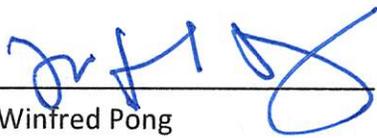
The meeting was reconvened at 1:10 p.m.

At this time, Mr. Murdock provided a visual on-line presentation of the new "HTA Board Website," which could be used as a portal for access to Board meeting materials, including confidential documents. He also demonstrated how links on the website would direct the viewer to HTA reference materials, financials, fiscal statements, research statistics, and marketing plans.

## 10. Adjournment

The meeting was adjourned by consensus at 1:29 p.m.

Recorded:

  
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Winfred Pong  
Recorder